

For More Information Contact:
Ernie Goss Ph.D., 559-278-2352
University Business Center
Craig School of Business
California State University, Fresno

Goss video summary at:

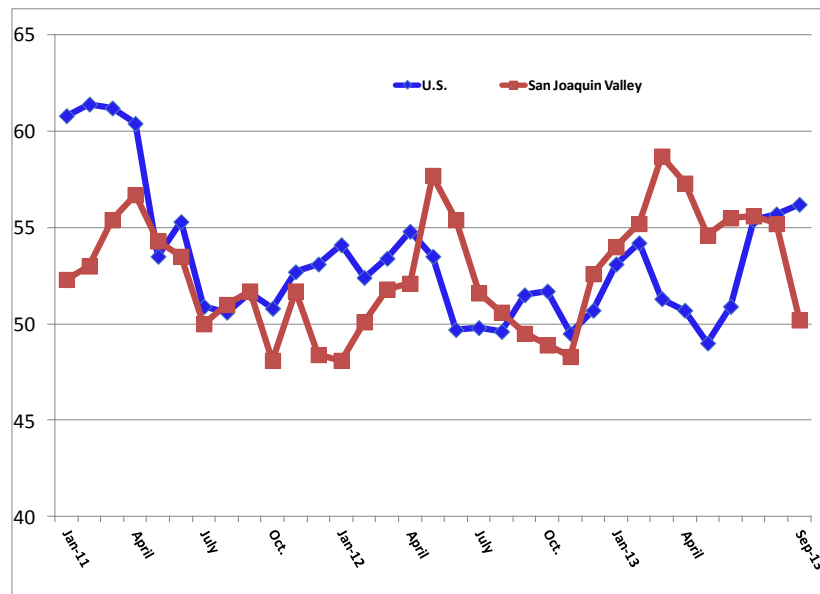
<http://youtu.be/xNMWWZdfUI>

**San Joaquin Valley Job Index Weak for September:
Affordable Care Act Having Large Negative Impact**

September survey results at a glance:

- Regional index moves above growth neutral for tenth straight month.
- Approximately 51.9 percent of businesses report negative employment impacts from the Affordable Care Act (ACA).
- More than eight in ten firms report no impact from federal spending sequestration.
- Business confidence sinks below growth neutral.

PMIs for U.S. & San Joaquin Valley, 2011- Sept. 2013



For Immediate Release: October 1, 2013

FRESNO, CA-For the tenth straight month, the San Joaquin Valley Business Conditions Index moved above growth neutral. The index, a leading economic indicator from a survey of individuals making company purchasing decisions for firms in the counties of Fresno, Madera, Kings and Tulare, points to positive but slower business economic conditions in the next 3 to 6 months. The index is produced using the same methodology as that of the national Institute for Supply Management (www.ism.ws).

Overall Index: The index declined to 50.2 from 55.4 in August. An index greater than 50 indicates an expansionary economy over the course of the next three to six months. Survey results for the last two months and one year ago are listed in the accompanying table. “The area economy is expanding, with the unemployment rate down by almost three percent over the past year. However the area employment level is currently off by approximately 20,000 jobs compared to pre-recession level. Growth for the fourth quarter will be positive but down from the third quarter of this year,” said Ernie Goss, Ph.D., research faculty with the Craig School of Business at California State University, Fresno.

Employment: For the eleventh straight month, the hiring gauge moved above the growth neutral threshold. The job index advanced to a tepid 51.5 from August’s 51.2 but well down from 54.2 in July. Readings over the past several months indicate that the job market will continue to improve for the rest of 2013 but job growth will be slow. “Uncertainty surrounding the Affordable Care Act and the budget stalemates in Congress are causing firms to be much more cautious about hiring and have encouraged layoffs and cuts in hours worked. Food processors and wholesale trade companies are adding jobs at a healthy pace while manufacturers, except for food processors, are not adding jobs but growing output via higher productivity,” said Goss.

This month we asked survey participants how the Affordable Care Act (ACA) was affecting hiring in their company. More than one-half, or 51.9 percent, reported that the ACA had either resulted in a reluctance to hire, reduced hiring, additional layoffs or a reduction in hours worked. Approximately 48.1 percent of firms reported no hiring or staffing impacts for their firm.

Wholesale Prices: The prices-paid index, which tracks the cost of raw materials and supplies, rose to 56.8 from 52.5 in August. “Wholesale inflationary pressures for the region remain muted. Price indices over the past several months are consistent with inflation at the wholesale level - below two percent annualized. Even if low inflation, I expect the Federal

San Joaquin Business Conditions Index – p. 3 of 4

Reserve to begin tapering or reducing their \$85 billion monthly bond buying program at their December meeting," said Goss.

Business Confidence: Looking ahead six months, economic optimism, captured by the business confidence index, sank to 48.7 from August's 51.1. "Uncertainty surrounding implementation of health care reform and the Congressional/Presidential budget impasse pushed the economic outlook lower for the month," said Goss.

The federal spending sequestration is having very little impact on the outlook. "For each of the last seven months, we have asked survey participants how the federal spending sequestration was affecting their company. In the September survey, approximately 80.0 percent of firms indicated that the cuts have had no impact on their company to date. Only one in five businesses reported impacts from sequestration," said Goss.

Inventories: Businesses once again reduced inventories for the month. The index remained below growth neutral, dropping to an even weaker 43.3 from 46.3 in August.

Trade: The new export order reading slumped to 41.0 from 42.7 in August. At the same time, the import reading for September fell to 42.4 from August's 50.5. "As in previous months, slower global economic growth along with increases in the value of the U.S. dollar are having clear negative impacts on sales abroad. The tepid import reading is another signal that firms, as a result of slow growth, are not buying vigorously from abroad," said Goss.

Other components: Other components of the September Business Conditions Index were new orders at 49.5 down from last month's 60.9; production or sales at 51.5 down from 60.4; and delivery lead time at 55.1 which is down from 58.2 in August.

Table 1 details survey results for September 2012, August 2013 and September 2013. October survey results will be released on the first business day of next month, November 1.

	San Joaquin Valley		
	September 2012	August 2013	September 2013
Leading economic indicator	49.5	55.4	50.2
New orders	41.2	60.9	49.5
Production or sales	45.6	60.4	51.5
Employment	50.4	51.2	51.5
Inventories	55.4	46.3	43.3
Delivery lead time	54.8	58.2	55.1
Wholesale prices	62.1	52.5	56.8
Imports	43.2	50.5	42.4
Export orders	33.5	42.7	41.0
Business confidence	36.1	51.1	48.7

San Joaquin Business Conditions Index – p. 4 of 4

Craig School of Business: <http://www.craig.csufresno.edu/>

Follow Goss: Twitter at <http://twitter.com/erniegoss> or www.ernestgoss.com
Blog: <http://economytrends.blogspot.com>